



*disruptive technology and
banking*

Avoiding our Uber?



**Credit Union
Association**
of NEW MEXICO

About Tim Harrington, CPA

28 years credit union experience

36 years business/consulting
experience

Consulted on nearly 1,000 credit
union projects

A regular speaker at CUNA and
League Conferences, speaking at
over 1,000 events

Former Chairman of the Board of
successful \$150 million dollar
credit union





U B E R

- Started in 2009, Now world's largest taxi company
- Meets consumer need for:
 - Easy ordering
 - Fast service
 - Transparent delivery
 - Reasonable price - most of the time
- Designed for **digital**, not “phone” world
- Taxi companies forced to improve or fail

These have changed everything



what have smartphones replaced?



what have smartphones replaced?

- Land lines
- Cameras
- Maps
- Boarding passes
- News papers
- Alarm clocks
- Calendars
- Note pads
- Video cameras
- Laptops/desk tops
- Payment systems
- Weather channels
- Mp3s/CDs
- Conversation



“We need banking but we don’t need banks.”

Bill Gates



Uberization: digital disruption is happening all around us

 **LendingClub**


PayPal

 **Funding Circle**

 **TransferWise**

Rate%Setter™

venmo

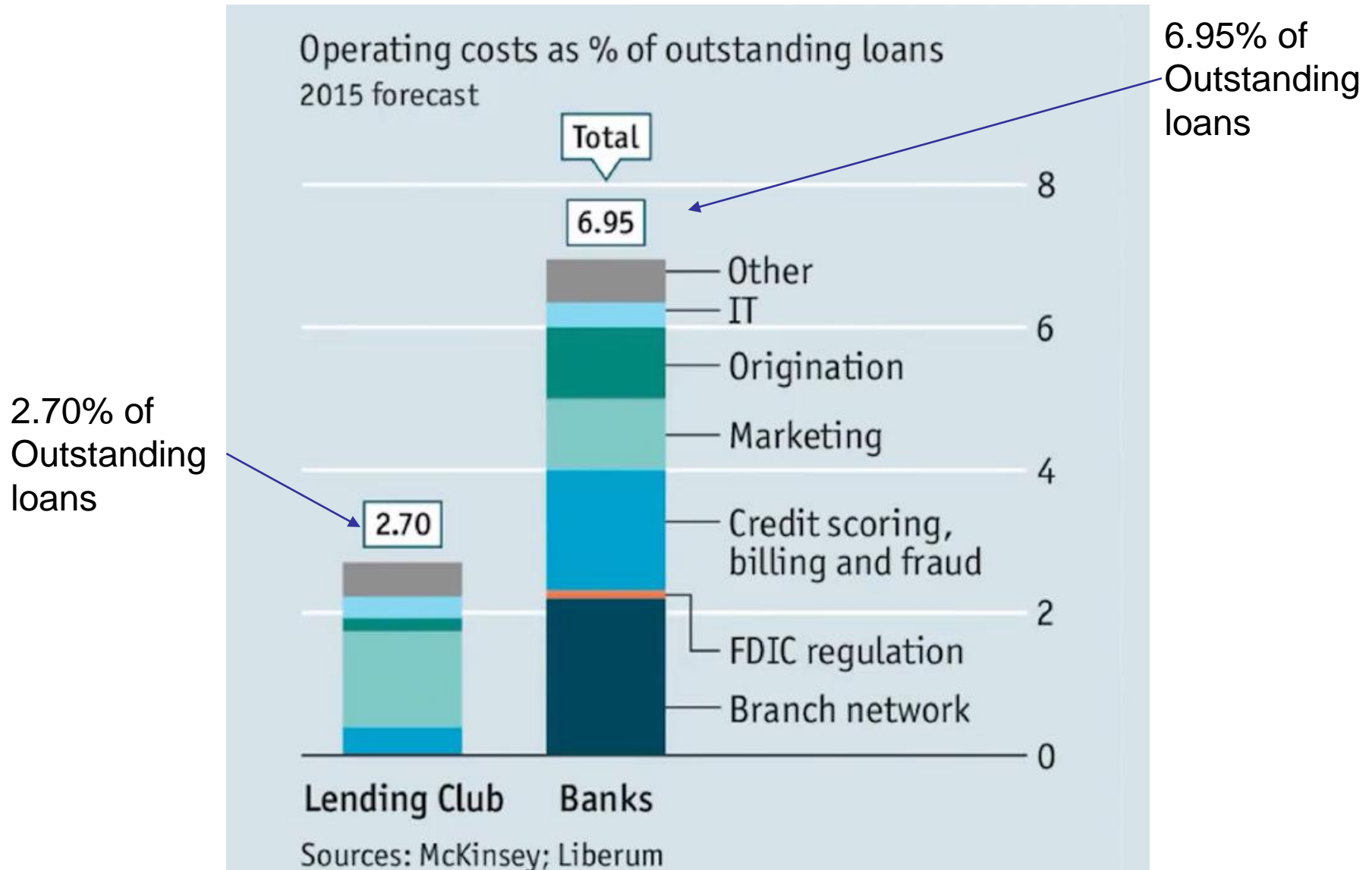
 **Square**



Google
wallet

Blockchain Technology

the disruptors' advantage



d day

Displaced:

- by a superior customer experience and price
- new entrants with luxury of being free of legacy technology and cost base
- developers closer to the needs of their target customers.

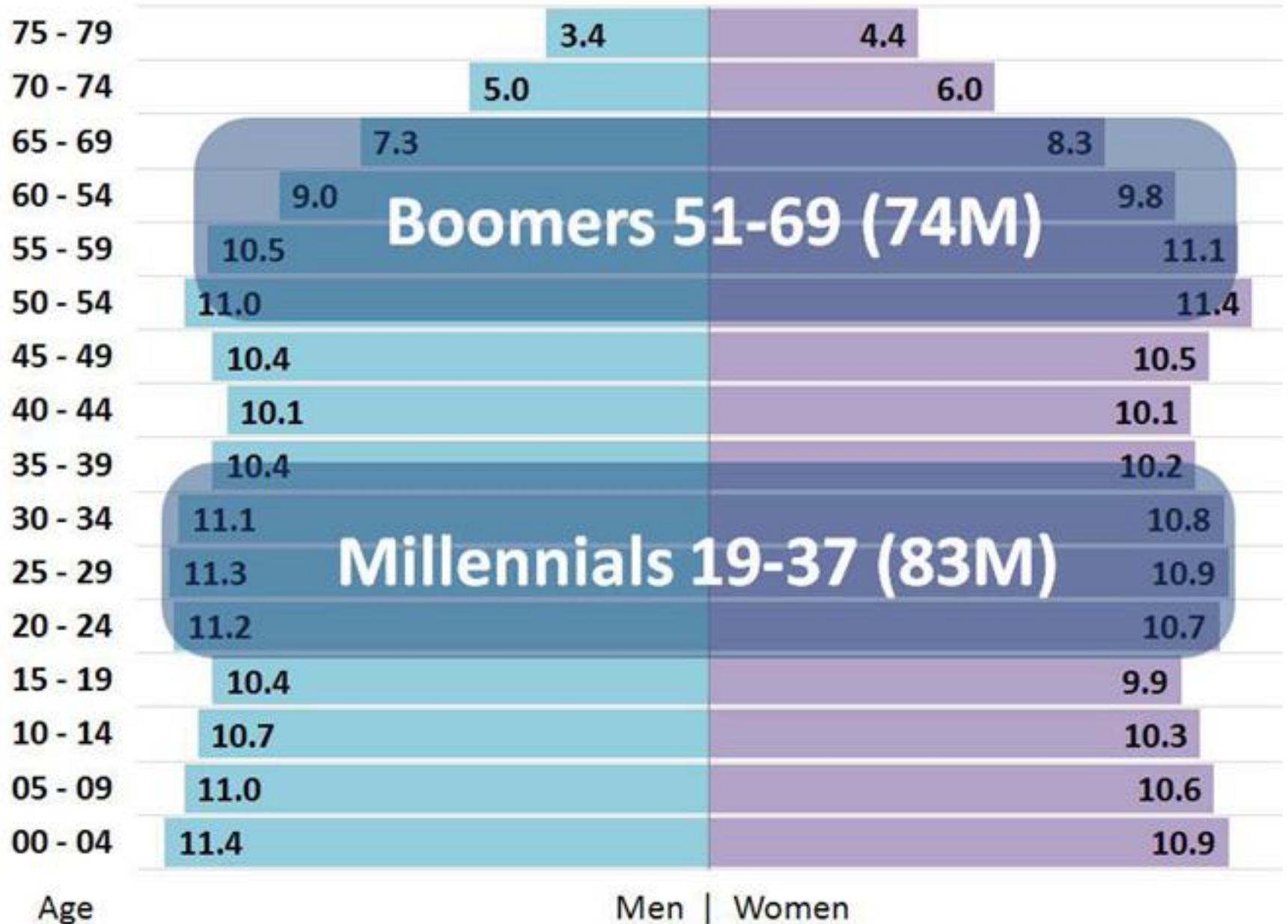
Diminished:

- revenues squeezed
- legacy organizations become utilities in a market with higher switching frequency.

Disintermediated:

- Our big advantages, storing and transferring value, are challenged by the arrival of new technologies, such as the blockchain.

2015 Age Pyramid



Millennials...

Make up 44%
of workforce.

Baby
Boomers? 15%



The generation coming of age today might not see a need for a traditional bank at all, just as they don't see any reason to have a landline, send letters or buy newspapers

James Haycock author of Bye Bye Banks?

“Digital banking is no longer trendy. It has instead become the modus operandi for the modern financial services market.”

Jess Morley,
Research Manager

Mapa Digital Competitor Intelligence

www.maparesearch.com/research/reports/ten-things-digital-teams-should-be-doing-in-2016

Preferred channel by transaction type

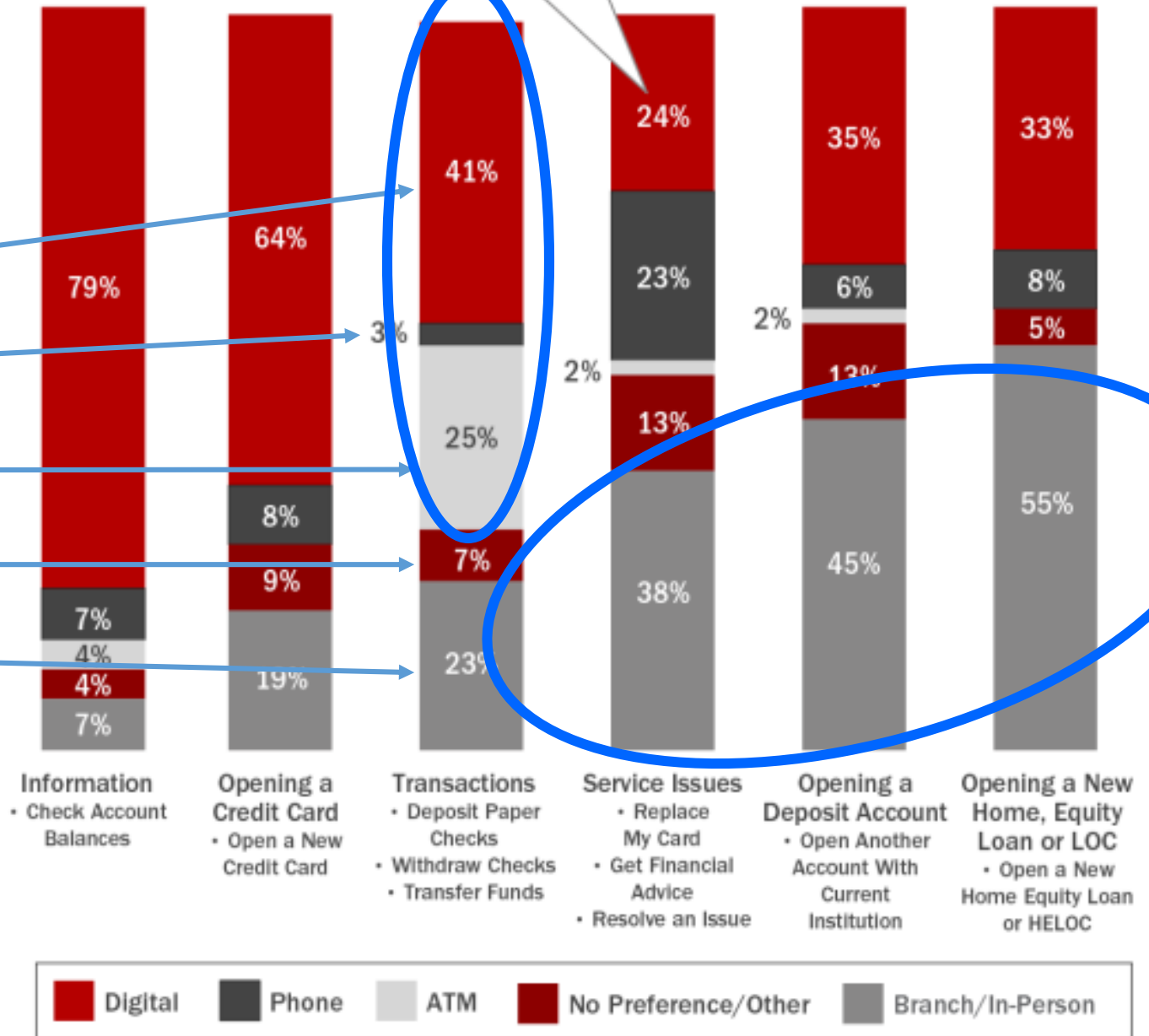
Digital

Phone

ATM

NA

Branch



changing needs

Bank of America soon will begin converting about 9,000 tellers to “relationship bankers” who can direct customers to high-tech ATMs or show them how to deposit a check via smartphone

*Wall Street Journal
July 6, 2015*

what percentage of your
members use branches?

*what percentage of your costs
are devoted to serving those
members?*

One client told me
they spend 75% of
their costs on 5% of
their members



what would happen...?

What would happen if you redeployed 40% of your workforce and 30% of your Compensation from Teller Services to:

- Sales and Advisory Service in branches and on phones
- Technology planning, research, advisory and roll-outs
 - App development and fine tuning
- Marketing and Community Partnerships

changing needs

*Digital technologies will
accelerate branch
transformation and not make
them extinct*

CapGemini

Future of Banking Whitepaper



Capital OneSM



Bank of America®

Digital Bar



can we reinvent ourselves?

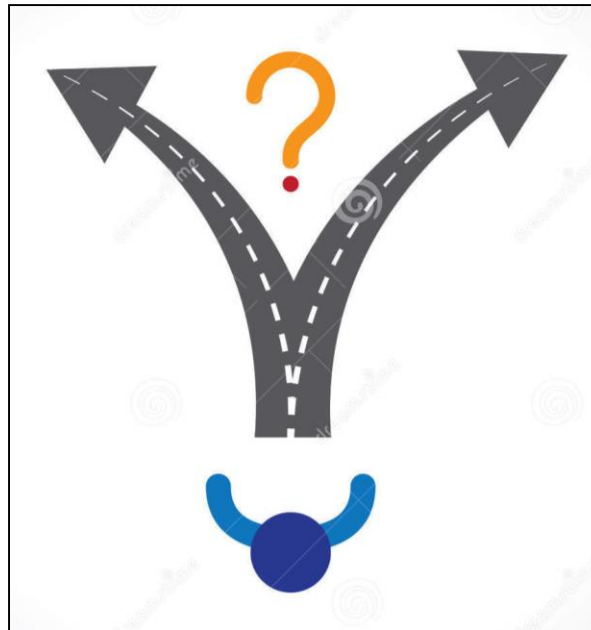


value of branches

- **Short term value of branch:**
 - Cash operations
 - Traditional customers who are not ready for digital
- **Long term value of branch:**
 - Communication (brand, products) in physical environment
 - Building Trust
 - Socializing
 - For face-to-face sales and service, and more importantly
 - Delivering expert knowledge, experience and trust through an advisor
 - Providing a unique experience (all senses)

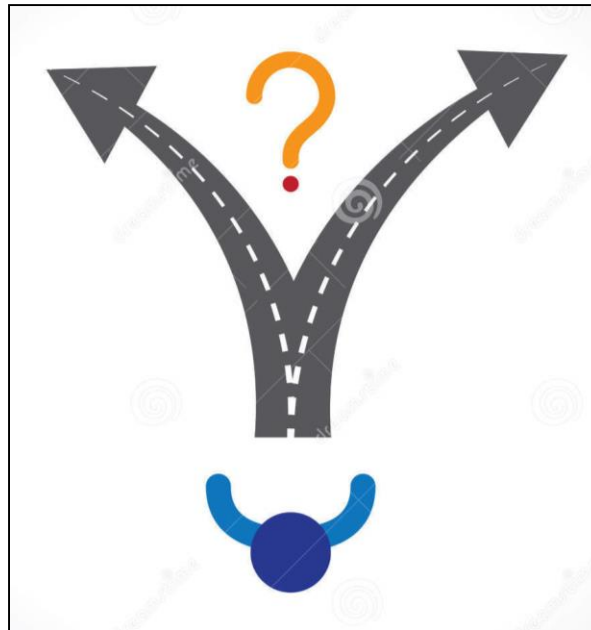
two directions to consider

1. **Keep serving market in traditional fashion**
2. **Become a disruptor and develop an aggressive digital strategy**



direction one

1. **Keep serving market in traditional fashion** But you still must adapt
2. Become a disruptor and develop an aggressive digital strategy



40% of on-line loan applications abandoned

Reasons why banking consumers abandoned an online application

It took too long to complete

15%

Too much personal information was required

13%

I changed my mind

12%

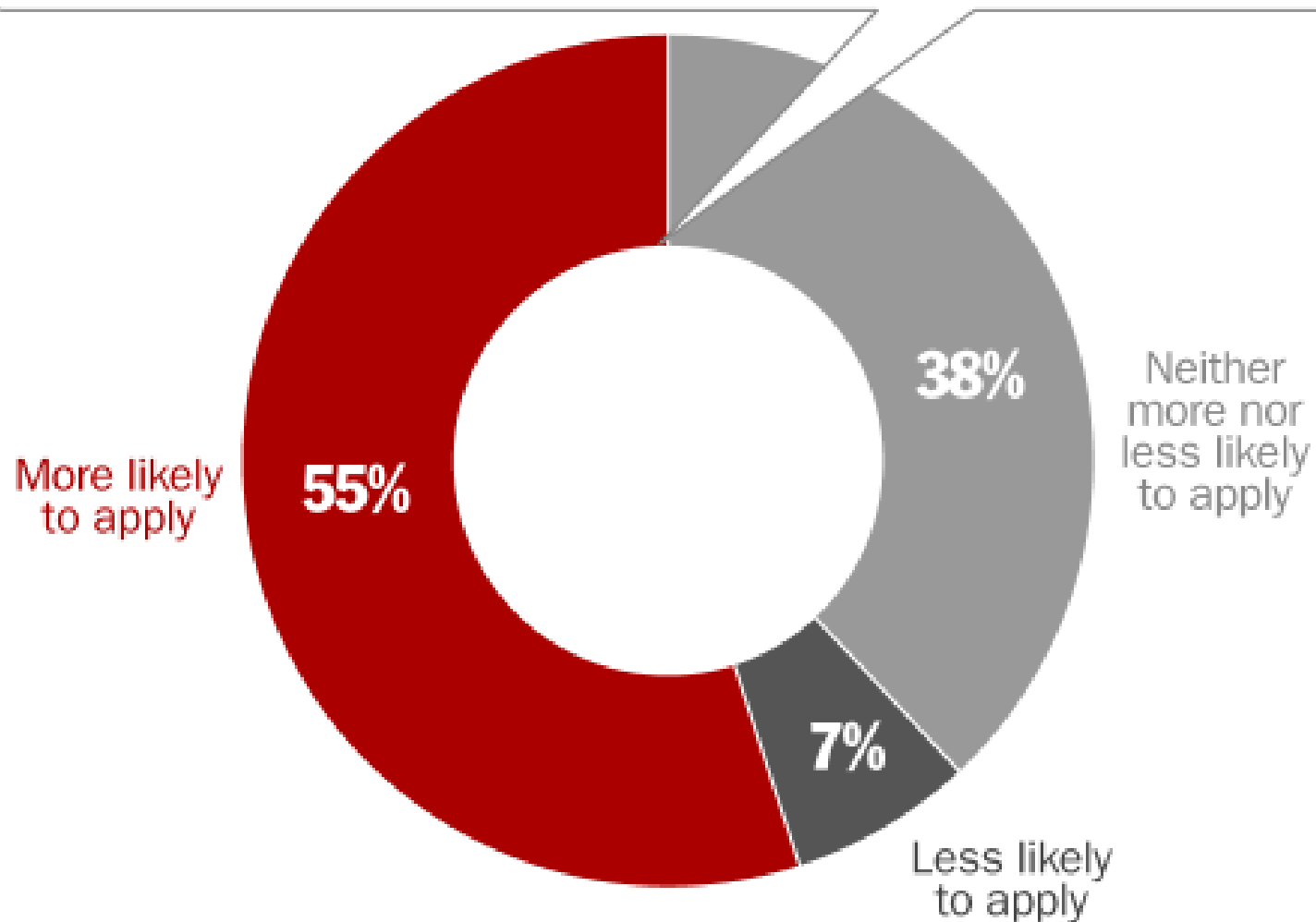
I needed to go to a branch or send personal info through the mail

9%

The language used was too confusing

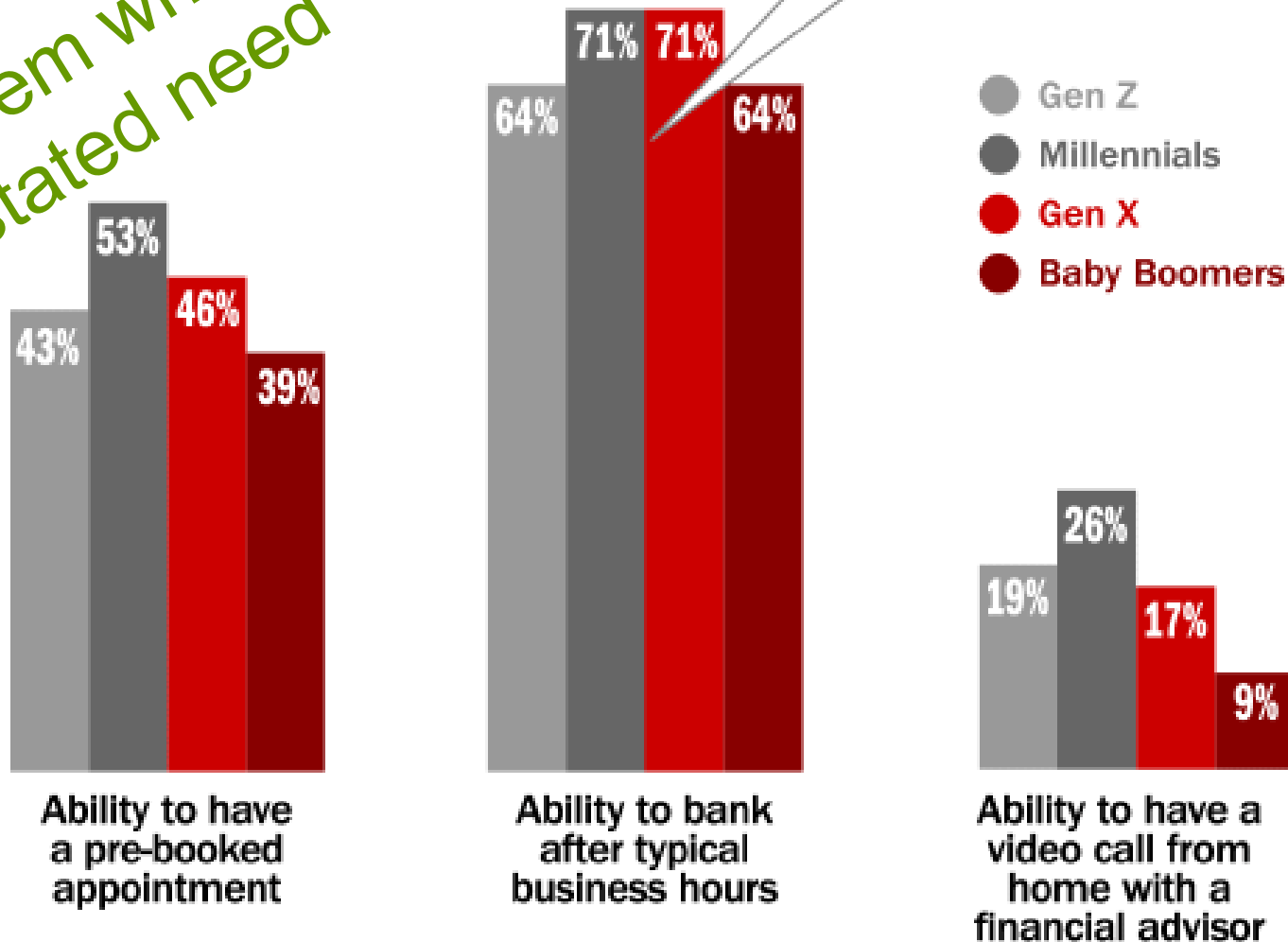
4%

Would consumers be more or less likely to complete an application if it was all online?



Service enhancements consumers say they would like from their banking providers

Meet them where their stated need is



Source: TimeTrade © April 2016 The Financial Brand

millennials need banking services at their ZMOT

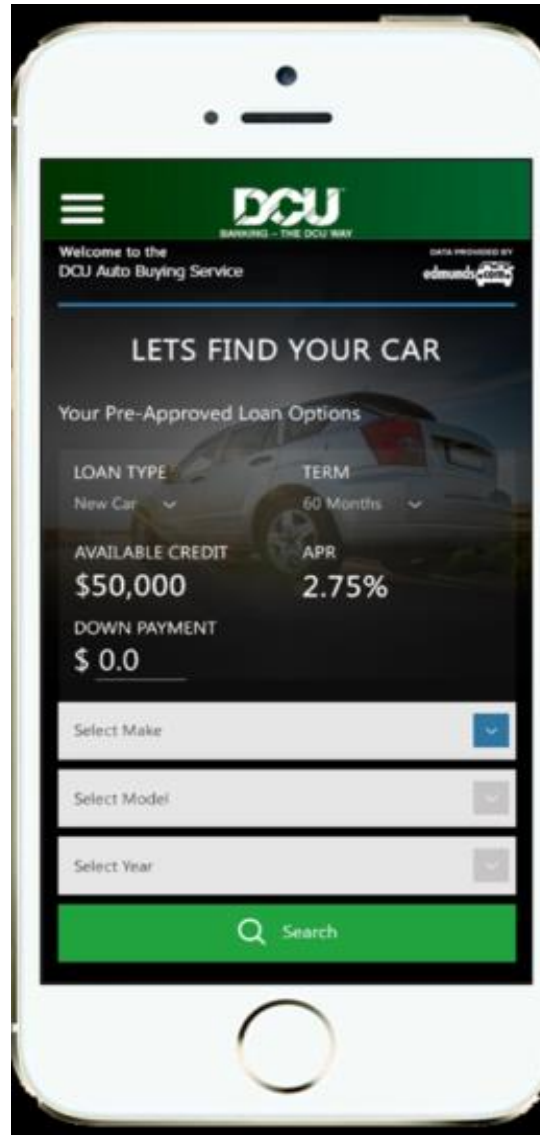
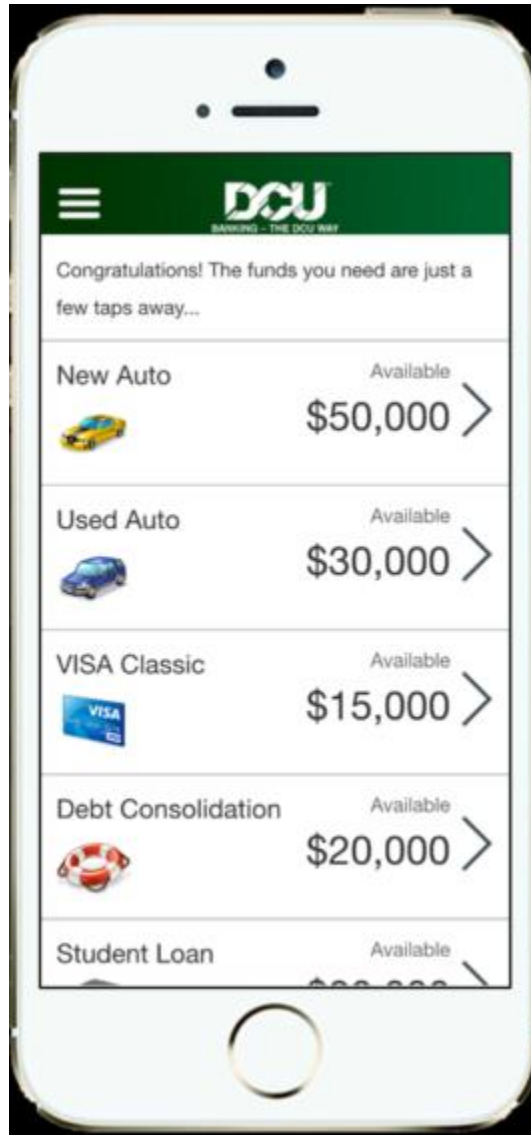
They don't necessarily plan for a banking need

1. Need arises
2. They research available options on smartphone

Zero Moment of Truth

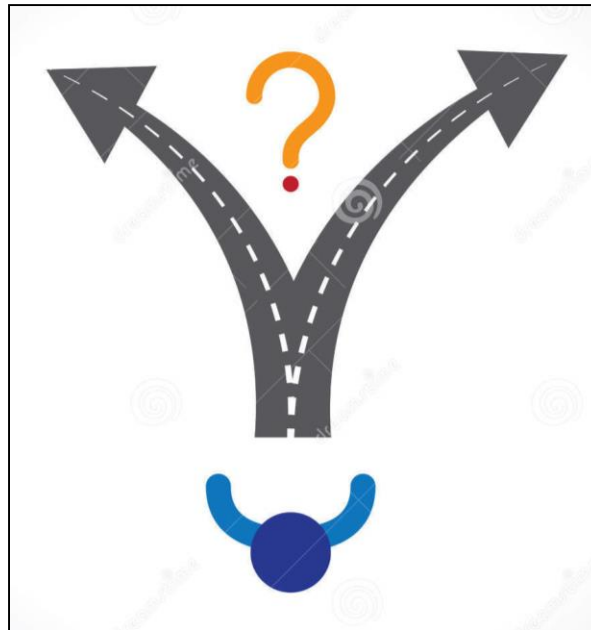


AutoXpress



direction two

1. Keep serving Traditional market in traditional fashion
2. **Become a disruptor and develop an aggressive digital strategy**



top 5 services millennials want from banks

1. Discounts at relevant stores (57%)
2. Checklists for tasks related to life events (55%)
3. Recommendations based on customers like them (54%)
4. Professional / expert reviews (53%)
5. Budgeting tools or content (52%)

Oracle Survey 2016

millennials don't like how banks communicate

They would look if sent via one of their top four preferred channels:

1. Email
2. Text
3. Bank website
4. Bank's mobile app

from physical to digital

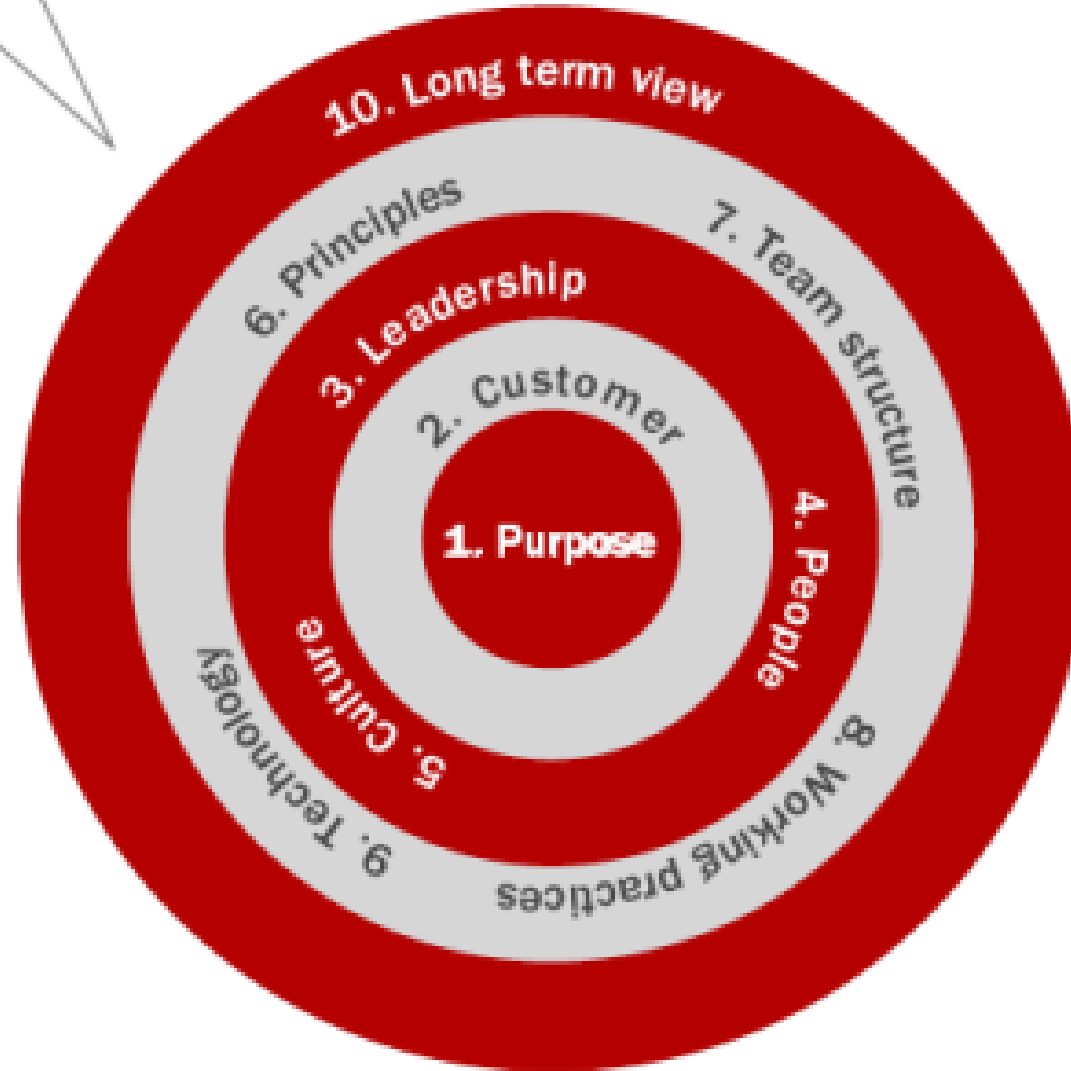
Bankers cannot design what is needed
for the new digital environment

You need Tech Heads and Users

beta bank idea – What would you create if you started today?

1. Define a PURPOSE that inspires and attracts
2. Organize around customers rather than products
3. Appoint native leaders
4. Hire triple D people (Digital natives, Design oriented, Diverse)
5. Create a culture of experimentation and learning
6. Establish principles that inform decisions
7. Organize in small, multi-disciplinary teams
8. Design around modern working practices
9. Design technology and data that enables agility
10. Take a long term view

The beta bank operating model



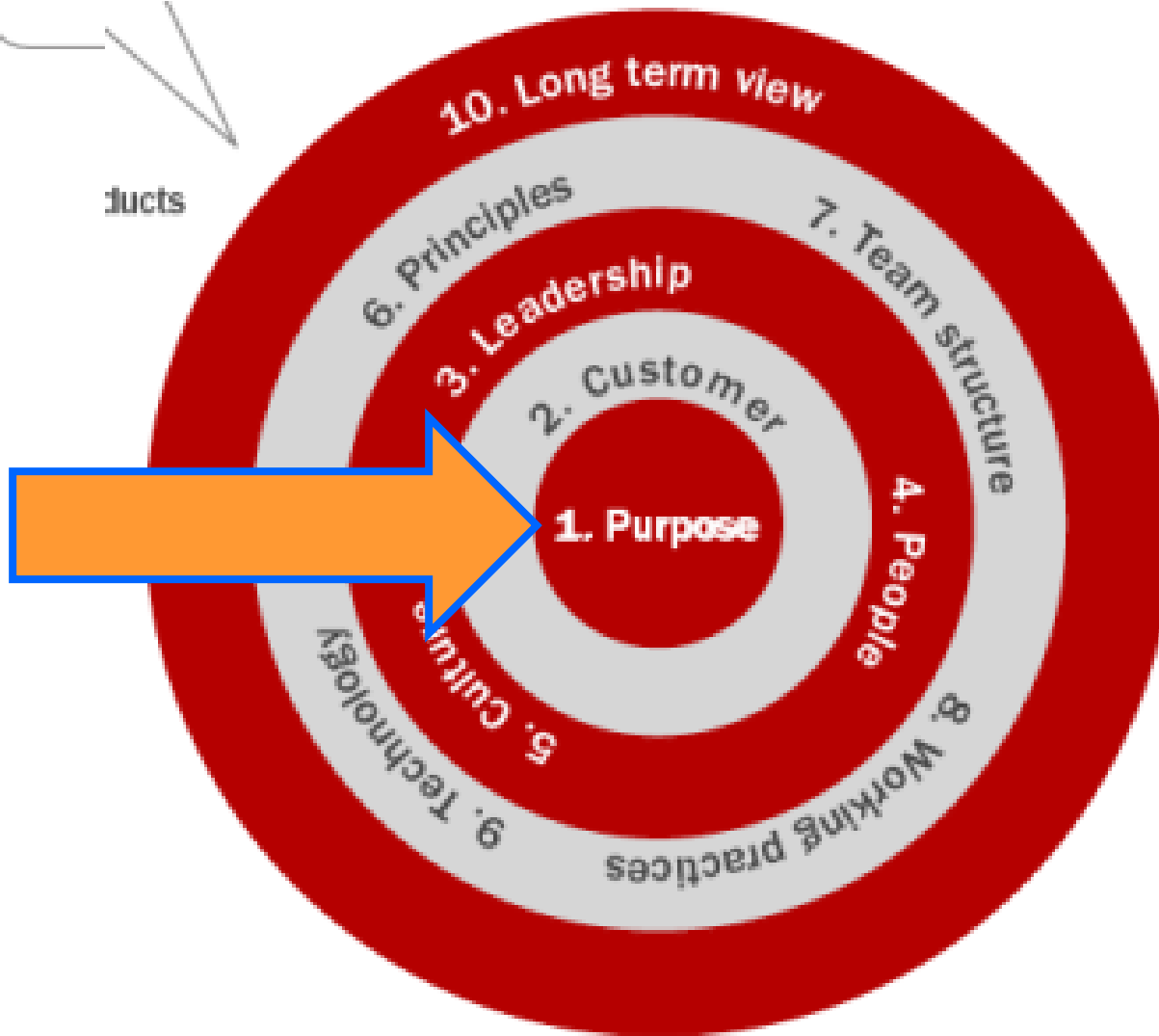
Source: Bye Bye Banks? © July 2015 The Financial Brand

become your own disruptor

Create a cross-departmental innovation and disruption team

- Focus on the users' experience
 - Keep users in the loop, maybe on team
- Define users' problems
- Use prototypes to explore potential solutions
- Elicit executive support on an on-going basis
- Tolerate failure: It's Feedback, Not Failure
- Exhibit thoughtful restraint

The beta bank operating model



Source: Bye Bye Banks? © July 2015 The Financial Brand

Purpose

- *Can differentiate you in the market*
- *Can attract members*
- *Can attract volunteers*
- *Can inspire staff*
- *Can make you additional profit*

Purpose

“Our core purpose guides everything we do; we all work to inspire, educate and outfit for a lifetime of outdoor adventure and stewardship.”



One of America's largest Co-ops

Purpose

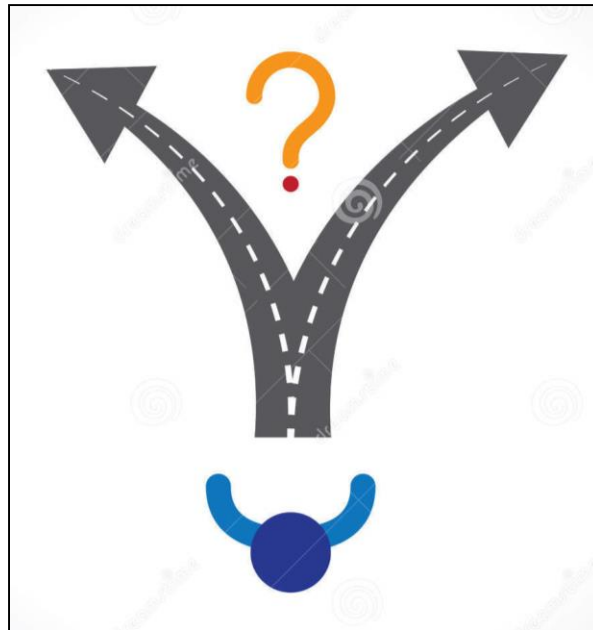
“Helpful is our weapon in the world. And it is far more than just a slogan. It’s a mission. We know we are truly blessed to be in the business of serving others. And that is a mission we don’t take lightly.”

John Venhuizen, President and CEO



two directions to consider

1. **Keep Serving market in traditional fashion**
2. **Become a disruptor and develop an aggressive digital strategy**



If nothing else...

- 1. Make it simple**
- 2. Make it fast**
- 3. Make it easy**
- 4. Make it common sense**
- 5. Listen to the end user**

Change is not necessary...

Survival is not mandatory



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